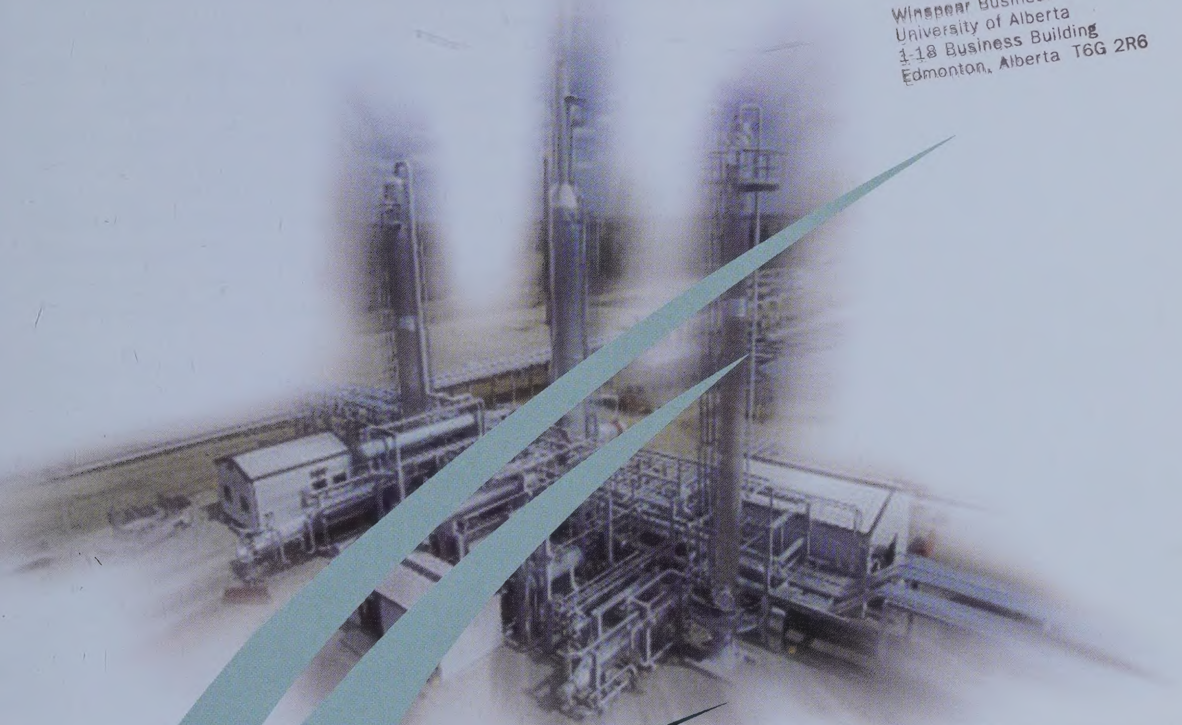
Annual Report 2000



GEMINI Corporation

How do you like our new look? In line with the restructuring and significant changes the Corporation has undergone during the past several years, Gemini Corporation undertook to design a new logo. The logo contains a stylised G for Gemini Corporation. The form is intended to show movement and action which represents the future growth planned for the Corporation. Green represents the understanding and importance that the Corporation places on protection of the environment. We have been using the new look since January 2001 and have received many positive comments.

"Gemini Corporation is dedicated to provide high quality services to its clients. Through the use of innovation and the practical application of technology, Gemini will provide products that add value to our clients' businesses and provide our shareholders with a fair return on their investment."

Annual Meeting

The Annual General Meeting of the Shareholders of Gemini Corporation will be held in the Eau Claire Room of the Westin Hotel, 320 - 4th Avenue S.W., Calgary, Alberta, on Wednesday, May 16, 2001 at 2:00 pm (Calgary time). Shareholders are encourage to attend. Those unable to attend are requested to complete and submit the Proxy Form to the Corporation's Registrar and Transfer Agent, Computershare Trust Company of Canada.

Table of Contents

Corporate Profile

Gemini Corporation (the "Corporation") is a Calgary-based company which supplies project management, engineering, fabrication, construction, and custom contract operating services in Canada and internationally, predominantly to the oil and gas industry.

The Corporation owns and operates two wholly-owned subsidiaries, Gemini Engineering Inc. (incorporated on April 23, 1999) and Kinetic Projects Ltd. (incorporated on May 4, 1987). It also conducts business under GEM Production Management, a division of Gemini Engineering Inc. Combined, the three entities complement each other and service a broad range of needs for their clients.

Their flexibility and ability to adapt to the differing needs of each client and each project has contributed to Gemini's success.

The Corporation strives to:

- Deliver excellence, integrity and professionalism to its clients, staff and suppliers
- Ensure the quality of service is continually being improved
- Employ an established team of professionals who are dedicated to complete customer satisfaction
- Support our services with technical strengths, communication excellence, and up-to-date technology
- Provide ongoing training for its staff
- Achieve growth and diversification through continued expansion of its core business and completion of strategic acquisitions

The Corporation's commitments are:

- To our staff, we will provide a work environment conducive to personal growth and achievements.

- To our clients, we will provide a level of service "fit for need" to achieve specific project and client goals on budget and on time.

- To our Shareholders, we will conduct our business in a responsible manner to protect their investment and provide as high a return to them as possible.

President's Message

The year 2000 marked the completion of the Corporation's first full year under the new business direction. The year has been one of significant progress and at the conclusion of the year, all major issues have been resolved. Our operations showed increased activity in our core businesses over 1999, through a year that was slow to develop in terms of work opportunities. Despite the slow start, the Corporation's revenues were up significantly over the previous year. As the year closed, we are carrying a strong backlog into 2001.

Some important milestones accomplished in 2000 include:

- Resumed trading of shares in the third quarter on the Canadian Venture Exchange
- Appointed three new officers
- Finalized new credit facilities for the Corporation
- Finalized the repayment plan with EDC

Business accomplishments included:

- The award of engineering and fabrication for a heavy oil SAGD project
- Ongoing work from a US based valve manufacturing firm
- Increased interest from new business ventures outside our normal client base
- Increased scope of work from existing clients
- New interest and opportunities through joint venturing

As we look forward, I am very excited about our new opportunities and potential for growth. Closure on all the outstanding issues from 1999 will now permit us to focus on the business at hand and put all efforts towards growth of the Corporation.

Management continues to promote Gemini Corporation as a service company offering a broad range of services through a variety of divisions.

It is important that this vision is communicated clearly with investors and clients to ensure we are recognized for the full range of services we can provide. Fostering the correct image will further enhance our ability to be recognized for our real potential. Our vision is to use our core skills to offer our services to a broader range of clients while providing stable work volume through traditional services.

Over the past year, the Corporation has continued to investigate alternate industries for opportunities to apply our skills. We are currently looking at two opportunities that would see the Corporation realize a significant portion of our future work from outside our traditional oil and gas client base. If we are successful in these diversification plans, we will experience a positive impact on our business and present new opportunities to our employees.

Appointments

As the year concluded, three officers were appointed: Ms. Marlene Bender, Vice President - Controller, Mr. Garry Isbister, Vice President - General Manager Gemini Engineering Inc. and Mr. Warren Fast, Vice President - General Manager Kinetic Projects Ltd.

Acknowledgements

A very significant achievement during the year was the retention of our key staff. The Corporation is very proud of the abilities and dedication of all the staff and on behalf of the Board of Directors, I would like to thank each of them for their efforts.

We would also like to take this opportunity to extend our sincere appreciation to our clients, advisors and suppliers for their support throughout the year. With their support, our business experienced continued growth during the year. This has provided us a strong and stable platform from which to expand.

Finally, we wish to thank our Shareholders for their continued support. Gemini is a well managed company founded on strong business fundamentals and high technical skills. Our team is dedicated to systematic, well managed growth. We believe this will result in a sound investment for each of you.

Respectively submitted

Carl Johnson, President & CEO

Gemini Engineering Inc.

Activity levels within the industry did not ramp up in late 1999 as was originally anticipated. As a result, our workload entering 2000 was lower than had been expected. However, Gemini has key clients who provided a stable base load, and as the year advanced, we were able to return to expected levels of work. Over the course of 2000, monthly revenues doubled which necessitated a 50% increase in staff levels. As staff additions occurred over several months, the growth was accommodated in an efficient manner. Gemini is entering 2001 with a good backlog and strong first quarter results are expected.

The first half of 2000 saw the implementation of an internal reorganization into client based teams. This restructuring was met with approval from both staff and clients. This has allowed us to better focus on the specific needs of each client. We also believe that the realignment of resources will result in the ability to attract new clients.

Gemini began initiatives late in the year to increase client awareness of our abilities in the electrical and controls areas of our business. The long-term plan is to develop this aspect of our business into a unit that can be marketed independently. We expect that the plan will be completed in the first half of 2001 and we will begin to see results over the balance of the year.

Marketing initiatives during the year were successful resulting in a new heavy oil project for Gemini Engineering. This project will continue through the year 2001. Heavy oil will remain a focus of the Corporation.

Through the year, we established strong relationships with new clients that will carry into the future and provide additional opportunities. Gemini is entering the year with a strong activity level which should translate into further improvements in our financial performance.

Kinetic Projects Ltd.

Kinetic Projects entered the year with a strong level of activity and as a result, its first quarter was very strong. However, after spring breakup, workload remained weak until September when we started to see a renewal of business opportunities.

During the year 2000, Kinetic made significant efforts to increase client awareness of its abilities. This work has proven to be worthwhile since we saw a strong improvement of bidding opportunities in the fourth quarter. However, margins have remained tight and we saw a lower than anticipated success rate on the tendering efforts made. Nevertheless, Kinetic was able to maintain strong relationships with all its clients which enabled us to build up business volume through the latter part of the year.

The year closed on a positive note with a strong fourth quarter and backlog exceeding $3.5 million. Although the backlog was primarily shop work, a significant amount of field work was identified. With ongoing projects and the continued strength in commodity prices, the year 2001 is expected to be very active.

Kinetic has recognized the need to increase its marketing efforts and a full time sales person has been added.

2000 HIGHLIGHTS

During 2000, Kinetic maintained a strong relationship with a valve manufacturer based in the US. The business from this client was steady throughout the year and indications are that it will increase in 2001. The valves being manufactured are special service and not necessarily used in the oil and gas sector. Therefore, as this work is less dependent on the oil and gas industry, it should be less cyclical.

Kinetic has been working with a bio-techology firm that owns proprietary technology. Kinetic is operating a pilot project on their behalf and as the project moves into commercial phase, we are expecting new opportunities.

During the year, Kinetic fabricated a large structural materials handling system. Completion of this unique project illustrates the ability of Kinetic to undertake a broad range of work.

GEM Production Management

GEM Production Management remains, at this time, a division of Gemini Engineering Inc. and focuses on providing contract field services to the upstream oil and gas sector. Currently, Gem employs an operations manager, field superintendent, operators and construction inspectors.

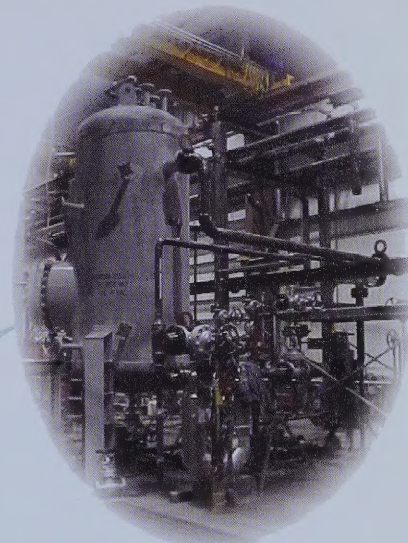
The year 2000 was a positive year for operations and inspections. Through the addition of several new operating contracts and a higher level of activity in inspections, our business goals for the past year were exceeded.

GEM continues to explore opportunities in the areas of plant leasing and custom processing. We have made a commitment to increase marketing activities in this area and are currently looking at several possible opportunities.

At year end, GEM was given the added responsibility to develop new business by targeting small producers requiring a different type of service than that currently being provided by Gemini Engineering. Implementation will occur in the first quarter of 2001 and as a result, increased activity levels are being projected for 2001.

Management Discussion & Analysis

RESULTS



Results for the year 2000 showed significant improvement over 1999, despite lower than expected activity levels in the industry. We completed a full year of operations under the new structure, compared to nine months of active business operations in 1999. Since 1999 and 2000 were focused on reorganization, we look forward to 2001 as an opportunity to continue our growth and expansion plans.

Gemini Corporation reports the following results on a consolidated basis:

- Total revenues were $15.7 million in 2000 compared to $7.4 million in 1999, an increase of 113%.
- Earnings were $1.1 million compared to a loss of $854,000 in 1999.
- On a per share basis, net income was 3.7 cents compared to a loss of 5 cents in 1999.

Gross Margins in 2000 of 24.7% were just slightly higher than the 23.4% earned in 1999.

Office and administration expenses were $1.4 million in 2000, compared to $544,000 in 1999, an increase of 159%. However, the $544,000 was net of approximately $500,000 of expenses attributable to discontinued operations. Approximately half of the remaining $350,000 difference came from professional fees that were incurred primarily as a result of the reorganization process, and are non-recurring in nature.

Because the Corporation has set up a future income tax asset related to losses carried forward, and because a portion of the goodwill related to these previously unrecognized losses, management decided to write off the goodwill in this current year.

FINANCIAL CONDITION

Our financial condition showed a very substantial improvement over the previous year. We are now poised to expand our operations and take advantage of new opportunities.

On a consolidated basis, Gemini Corporation generated $836,000 in cash flow from operations in 2000 compared to a negative $312,000 in 1999.

Working capital increased by $1 million during 2000. Of that amount, $500,000 resulted from the future tax asset set up in the year 2000.

The debt to equity ratio improved very significantly from 1999. At December 31, 2000, the ratio was 1.6 to1 compared to a ratio of 8 to 1 at the end of 1999. The $800,000 increase in long term debt over 1999 is due primarily to the settlement of the amount owing to Export Development Corporation. This debt resulted from operations of a previously related company, and was offset by a reduction in the Due to Vendors of Subsidiaries of a like amount.

Of the $400,000 of capital expenditures, $250,000 related to the purchase of computers and office equipment from a previously related company.

The outlook for next year is very positive. With substantial backlogs in both Gemini Engineering and Kinetic at the end of 2000, the Company anticipates a strong 2001.

Auditors' Report

To The Shareholders of Gemini Corporation

We have audited the consolidated balance sheet of Gemini Corporation as at December 31, 2000 and December 31, 1999 and the consolidated statements of earnings and deficit and cash flow for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and December 31, 1999 and the results of its operations and its cash flow for the periods then ended in accordance with Canadian generally accepted accounting principles.

Buchanan Barry LLP

CHARTERED ACCOUNTANTS
Calgary, Alberta
February 26, 2001

CONSOLIDATED BALANCE SHEET
As at December 31, 2000 and 1999

ASSETS

	2000	1999
Current		
Cash	$ 321,361	$ -
Cash held in trust (Note 4)	54,619	-
Accounts receivable	2,961,539	2,221,306
Future income tax (Note 13)	532,069	-
Prepaids	71,031	189,662
	3,940,619	2,410,968
Capital assets (Note 5)	2,211,882	1,964,468
Future income taxes (Note 13)	1,178,590	-
Goodwill (Note 6)	-	1,200,053
	$ 7,331,091	$ 5,575,489

LIABILITIES

	2000	1999
Current		
Bank indebtedness (Note 7)	$ 595,507	$ 537,539
Accounts payable	1,874,873	1,414,147
Income taxes payable	32,337	211,086
Current portion of long-term debt (Note 9)	252,369	75,657
	2,755,086	2,238,429
Deferred rental charge (Note 8)	85,059	-
Long-term debt (Note 9)	1,553,594	781,739
Debentures (Note 10)	-	250,000
Due to vendors of subsidiaries (Note 11)	83,504	1,708,078
	4,477,243	4,978,246

SHAREHOLDERS' EQUITY

	2000	1999
Share capital (Note 12)	4,718,318	3,565,906
Deficit	(1,864,470)	(2,968,663)
	2,853,848	597,243
	$ 7,331,091	$ 5,575,489

Approved on behalf of the Board

Larry W. Shelley Director

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CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the Periods Ended December 31, 2000 and 1999

	12 months ended, 2000	13 months ended, 1999
Revenue	$ 15,679,282	$ 7,354,981
Direct costs	11,806,473	5,630,963
Gross margin	3,872,809	1,724,018
Expenses		
Salaries and benefits	1,646,476	1,416,667
Office and administration	1,411,619	544,082
Interest on long-term debt	107,689	150,503
Amortization	157,449	186,417
Corporate expenses	13,311	26,571
Bad debts	88,161	9,299
	3,424,705	2,333,539
Earnings (loss) before other expenses	448,104	(609,521)
Other expenses		
Write-off of goodwill	(1,200,053)	-
Loss from continuing operations before income taxes	(751,949)	(609,521)
Income tax recovery (Note 13)		
Current	149,998	367,236
Future	1,691,050	48,937
	1,841,048	416,173
Earnings (loss) from continuing operations	1,089,099	(193,348)
Earnings (loss) from discontinued operations (Note 17)	15,094	(661,153)
Earnings (loss) for the period	1,104,193	(854,501)
Deficit, beginning of period	(2,968,663)	(2,114,162)
Deficit, end of period	$ (1,864,470)	$ (2,968,663)
Earnings (loss) per share from continuing operations (Note 14)	$ 0.037	$ (0.036)
Earnings (loss) per share for the period (Note 14)	$ 0.037	$ (0.050)
Fully diluted earnings per share from continuing operations (Note 14)	$ 0.035	$ -
Fully diluted earnings per share for the period (Note 14)	$ 0.035	$ -

CONSOLIDATED CASH FLOW STATEMENT
For the Periods Ended December 31, 2000 and 1999

	12 months ended, 2000	13 months ended, 1999
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the period	$ 1,104,193	$ (854,501)
Add back non-cash items		
Amortization	157,449	210,568
Write-off of goodwill	1,200,053	-
Loss on sale of assets	-	203,620
Future income tax recovery	(1,710,659)	(48,937)
Deferred rental charge	85,059	-
Interest expense paid by issue of preferred shares	-	64,112
Write-off of deferred costs	-	112,861
	836,095	(312,277)
Changes to working capital balances related to operating activities		
Accounts receivable	(740,233)	(658,163)
Cash held in trust	(54,619)	-
Assets of discontinued operations	-	1,339,323
Inventory	-	74,927
Prepaids	118,631	(180,420)
Accounts payable	460,726	482,882
Income taxes payable	(178,749)	(366,423)
Liabilities of discontinued operations	-	(547,023)
	(394,244)	145,103
Financing Activities		
Net proceeds from revolving line of credit	57,968	33,889
Proceeds from long-term debt	1,010,342	159,306
Repayment of long-term debt	(899,270)	(213,219)
Proceeds on issue of debenture	-	250,000
Repayment of advances to vendors of subsidiaries	(45,000)	-
Proceeds on issue of common shares	191,000	44,930
Proceeds from note payable	-	433,341
Share issue costs	(30,666)	-
	284,374	708,247
Investing Activities		
Acquisition of capital assets	(404,864)	(27,571)
Proceeds on sale of capital assets	-	235,305
Acquisition of Gemini Engineering Inc. and Kinetic Projects Ltd.		
Cost	-	(33,502)
Bank indebtedness assumed	-	(715,305)
	(404,864)	(541,073)
Change in cash	321,361	-
Cash, beginning of period	-	-
Cash, end of period	$ 321,361	$ -

Notes to the Financial Statements

NOTE 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiaries, Gemini Engineering Inc. and Kinetic Projects Ltd. Kinetic Projects Ltd. was amalgamated with New World Housing Systems Inc., a previous wholly-owned subsidiary of the Company, on December 31, 1999, with Kinetic Projects Ltd. continuing as the ongoing entity.

Gemini Engineering Inc. provides project management, engineering, construction management and operations services to clients in Canada and internationally. Its clients are predominantly in the oil and gas industry.

Kinetic Projects Ltd. is a full service construction firm undertaking project management, engineering, fabrication and construction projects. Kinetic serves the oil and gas industry as well as other sectors of the economy.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents include balances with banks. Cash held in trust (Note 4) is not available for current purposes and has been excluded.

(b) Capital Assets

Capital assets are recorded at cost. Amortization is recorded on a declining balance basis at the following rates:

Field equipment	20%
Automobiles	30%
Computer equipment	30%
Office and shop equipment	20%
Building	4%
Land improvements	4%

(c) Future Income Taxes

The Company follows the asset and liability method to account for income taxes. The asset and liability method requires that income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income and expenses are expected to be realized.

(d) Revenue Recognition

The Company uses the percentage-of-completion method to account for revenue earned on construction projects.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The recognition of revenue for construction projects is based upon estimates regarding percentage of completion. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

NOTE 3 ACQUISITIONS

(a) On May 18, 1999 and effective April 1, 1999, the wholly-owned subsidiary, New World Housing Systems Inc., acquired 100% of the issued and outstanding common shares of Gemini Engineering Inc. and Kinetic Projects Ltd. The acquisitions have been accounted for by the purchase method with the results of operations included from the effective date.

The purchase price consideration consisted of cash of $2 plus professional fees of $33,500 related to the acquisition. Net assets acquired:

Capital assets	$	2,026,011
Goodwill		1,297,355
Working capital deficiency		(668,456)
Long term debt		(911,309)
Due to vendors		(1,710,099)
	$	33,502

In addition to the above, the vendors received options to purchase, at $0.25 per share, up to 10,000,000 of the 21,000,000 common shares issued during 1999 on the conversion of the $2,100,000 of Series I, 8% debentures.

(b) During the year, the wholly-owned subsidiary, Gemini Engineering Inc., completed the acquisition of certain capital assets as committed to in 1999. The purchase price consideration consisted of cash of $250,000. Net assets acquired:

Capital	
Computer equipment	$ 102,891
Field equipment	8,481
Office equipment	138,628
	$ 250,000

Notes to the Financial Statements

NOTE 4 CASH HELD IN TRUST

Cash held in trust relates to funds from refinancing in excess of loans and mortgages repaid and the related legal costs. These funds are being held until closure of the refinancing is complete and were not released by December 31, 2000.

NOTE 5 CAPITAL ASSETS

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Field equipment	$ 221,686	$ 120,740	$ 100,946	$ 100,362
Automobiles	46,277	29,566	16,711	23,873
Computer equipment	229,900	44,850	185,050	28,367
Office equipment	154,003	18,458	135,545	5,041
Shop equipment	139,473	46,250	93,223	69,905
Building	1,477,691	152,638	1,325,053	1,380,264
	2,269,030	412,502	1,856,528	1,607,812
Land and improvements	358,936	3,582	355,354	356,656
	$ 2,627,966	$ 416,084	$ 2,211,882	$ 1,964,468

NOTE 6 GOODWILL

Goodwill arose on the purchase of a wholly-owned subsidiary in May 1999. The excess arose due to a deficit in Kinetic Projects Ltd. resulting from losses on inter-company loans relating to a project in Argentina. At December 31, 1999, Kinetic Projects Ltd. was amalgamated with New World Housing Systems Inc. giving it the availability of significant income tax losses carried forward. At December 31, 1999, no recognition of income tax losses available for future years was recorded because of the discontinuance of certain operations, the recent acquisition of Kinetic Projects Ltd. and Gemini Engineering Inc. and the uncertainty relating to various commitments of Kinetic Projects Ltd.

During the current year, the Company resolved those commitments and contingencies, obtained new bank financing and returned to profitable operations. Also, it adopted the future income tax method of accounting for income taxes, resulting in the booking of a future income tax asset of $1,710,659.

Given that the Company has set up the income tax asset related to past losses, and the fact that a portion of the goodwill related to this previously unrecognized amount, management concluded that the balance of the goodwill should be written off.

NOTE 7 BANK INDEBTEDNESS

The Company has a revolving line of credit, to a maximum of $2,000,000, which is available for use by the Company and its subsidiaries, Kinetic Projects Ltd. and Gemini Engineering Inc., as required. The line of credit bears interest at prime plus 2% per annum. The line of credit is secured by a general security agreement and general assignment of book debts from each of the companies covering current and future assets of each company, cross guarantees in the amount of $3,125,000 between each of the Company and its subsidiaries, assignment of fire insurance, and assignment of key man life insurance on the President of the Company.

NOTE 8 DEFERRED RENTAL CHARGE

During the year, the Company entered into a new lease for premises. Included in the lease agreement was three months free rent, the benefit of which has been deferred and will be amortized over the life of the lease.

NOTE 9 LONG-TERM DEBT

	2000	1999
Loan payable in monthly instalments of $1,667 plus interest at prime plus 2.5% per annum, secured by a general security agreement on current and future assets.	$ 100,000	$ -
Loan payable in monthly instalments of $5,000 plus interest at prime plus 2.5% per annum, secured by a mortgage on land and building with a carrying value of $1,680,408.	900,000	-
Note payable in quarterly instalments of $41,874 plus interest at prime per annum, secured by a second mortgage on land and building with a carrying value of $1,680,408, a general security agreement and postponement on all inter-corporate debt.	795,621	-
Capital lease obligation payable in monthly instalments of $472 including interest at 9.8%, secured by equipment with a carrying value of $9,997.	10,342	-
Mortgage payable in monthly instalments of $11,381 including interest at 7.4% per annum, maturing May 2008, secured by land and building with a carrying value of $1,736,921.	-	857,396
	1,805,963	857,396
Less current portion	252,369	75,657
	$ 1,553,594	781,739

Principal repayments required for each of the next five years are as follows:

2001	$252,369
2002	251,937
2003	248,548
2004	247,504
2005	205,605
Thereafter	600,000
	$1,805,963

Notes to the Financial Statements

NOTE 10 DEBENTURES

On May 12, 2000, debentures issued on November 9, 1999 were converted at $0.20 per common share into 1,250,000 common shares and 1,250,000 Class C warrants entitling the holder to acquire one common share at $0.35 per share on or before November 9, 2001.

NOTE 11 DUE TO VENDORS OF SUBSIDIARIES

Balance, December 31, 1999	$ 1,708,078
Less:	
Kinetic Projects Ltd., liability to Export Development Corporation indemnified by vendor of Kinetic	(837,496)
Converted to preferred shares	(742,078)
Other	(45,000)
Balance, December 31, 2000	$ 83,504

NOTE 12 SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares
Unlimited number of non-voting preferred shares, issuable in series

These preferred shares could be issued in one or more series. The directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges and conditions attached to the shares of each series.

(b) Issued and outstanding:

Common shares	No. of Shares	$
Balance at November 30, 1998	7,094,286	921,502
Conversion of debentures	21,000,000	2,100,000
Private placement	224,650	44,930
Balance at December 31, 1999	28,318,936	3,066,432
Conversion of debentures (Note 10)	1,250,000	250,000
Private placements	604,000	151,000
Options exercised	400,000	40,000
Balance at December 31, 2000	30,572,936	3,507,432
Share issue costs		(30,666)
		3,476,766
Series I 6.6% cumulative preferred shares		
Conversion of amount due to vendors of subsidiaries	435,362	435,362
Conversion of interest on debentures	64,112	64,112
Balance at December 31, 1999	499,474	499,474
Conversion of amount due to vendors of subsidiaries	742,078	742,078
	1,241,552	1,241,552
		4,718,318

NOTE 12 SHARE CAPITAL (Continued)

A private placement offering which closed on March 1, 2000 resulted in the issue of 218,000 common shares at $0.25 per common share and 218,000 Class B warrants entitling the holder to acquire one common share at $0.40 per share on or before February 28, 2002.

A private placement offering which closed on November 30, 2000 resulted in the issue of 386,000 common shares at $0.25 per common share and 386,000 Class B warrants entitling the holder to acquire one common share at $0.40 per share at any time between May 21, 2001 and November 21, 2002.

During the year ended December 31, 2000, the Company issued 742,078 shares designated as 6.6% non-voting, cumulative redeemable preferred shares, Series I, in settlement of an amount due to a vendor of its subsidiaries.

During the year ended December 31, 2000, options granted April 10, 1995 were exercised resulting in the issue of 400,000 common shares at $0.10 per common share.

(c) Reserved For Issue

(i) The Company has a stock option plan under which the Board of Directors can grant options to purchase common shares to employees, consultants, officers and directors. During the year, options were granted to purchase 1,764,000 common shares of the Company at a price of $0.17. Of the new options 822,000 were to directors and vested immediately, 942,000 were to employees with one-third vesting immediately with the remainder vesting one-third a year on each anniversary date until fully vested on November 21, 2002.

At December 31, 2000 the Company had unexercised options to the directors and employees as follows:

Issue Date	Exercise Price Per Share	Number of Options	Expiration Date
July 3, 1997	$ 0.12	280,000	July 3, 2002
November 21, 2000	$ 0.17	1,764,000	November 21, 2005

(ii) The Company has reserved 2,078,650 common shares with respect to outstanding warrants.

At December 31, 2000, the Company had unexercised warrants outstanding as follows:

	Issue Date	Exercise Price Per Share	Number of Warrants	Expiration Date
Class A	December 16, 1999	$ 0.35	224,650	November 30, 2001
Class B	February 28, 2000	$ 0.40	218,000	February 28, 2002
Class B	November 21, 2000	$ 0.40	386,000	November 21, 2002
Class C	May 11, 2000	$ 0.35	1,250,000	November 9, 2001

NOTE 12 SHARE CAPITAL (Continued)

(d) Dividends in Arrears

At December 31, 2000, the Company was in arrears on the payment of dividends on the Series I cumulative preferred shares in the amount of $56,772 (1999 - $10,925).

NOTE 13 INCOME TAXES

The Company adopted the liability method for accounting for income taxes for the 2000 fiscal year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. At December 31, 1999, the Company was unable to ascertain whether it was more likely than not that the losses could be utilized in future periods and no recovery was recorded in that year. However, in the 2000 fiscal year the provisions were applied prospectively without restatement of prior period financial statements resulting in a recovery of income taxes for benefits not previously recognized of $1,804,414.

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate to earnings before income taxes. The major components of these differences are explained as follows:

	12 months ended 2000	13 months ended 1999
Loss from continuing operations before tax	$ (751,949)	$ (609,521)
Earnings (loss) from discontinued operations	15,094	(661,153)
Earnings before income tax	(736,855)	(1,270,674)
Corporate income tax rate	44.62%	44.62%
Expected future income taxes	(328,785)	(566,975)
Increase (decrease) in future income taxes resulting from:		
Benefits of loss carry-forwards cost not previously recognized	(1,804,414)	-
Loss for which no benefit has been recognized	-	510,799
Write-off/amorization of goodwill not deductible for tax purposes	535,464	43,416
Benefits of cumulative eligible capital not previously recognized	(260,342)	-
Work in progress	193,380	-
Income tax recovery of subsidiary	(184,002)	(416,173)
Income tax paid by subsidiary	2,139	-
Other items	5,512	12,760
Income tax expense	$ (1,841,048)	$ (416,173)

The Company and its wholly-owned subsidiaries have the following deductions available for use against future years income:

	Gemini Corporation	Gemini Engineering Inc.	Kinetic Projects Ltd.	Maximum annual rate of claim
Undepreciated capital assets	$ -	$ 319,855	$1,567,915	4% - 30%
Eligible capital expenditures	-	-	692,399	7%
Share issue costs	40,218	-	-	20%
	$ 40,218	$319,855	$2,260,314	

NOTE 13 INCOME TAXES (Continued)

The Corporation has incurred capital losses for income tax purposes of $1,866,303 in one of the wholly owned subsidiaries and the related benefit has not been reflected in these financial statements. These losses can be carried forward indefinitely to be used against future capital gains.

The Corporation has incurred non-capital losses for income tax purpose of approximately $3,780,678, the related benefit of which has been recorded in these financial statements. Unless sufficient taxable income is earned, these losses will expire as follows:

2003	$ 594,150
2004	736,525
2005	1,347,193
2006	1,102,810
	$ 3,780,678

Reconciliation of the Company's income tax rate follows:

Federal income tax rate	38.00%
Federal abatement	(10.00)%
Surtax	1.12%
Provincial income tax rate	15.50%
Combined federal and provincial income tax rate	44.62%

NOTE 14 EARNINGS (LOSS) PER COMMON SHARE

The earnings (loss) per common share is calculated using a weighted average number of common shares outstanding of 29,622,690 (1999 - 16,913,401) shares. The effect of the warrants and stock options on the earnings (loss) per share is dilutive and is reflected in the fully diluted per share calculation.

NOTE 15 RELATED PARTY TRANSACTIONS

During the period, the Company incurred fees in the amount of $140,459 (1999 - $231,405) from entities of which three directors are principals. Of this amount, $9,220 remains unpaid at December 31, 2000.

NOTE 16 COMMITMENTS

The Company is committed to the following minimum lease payments related to operating leases for premises, vehicles and office equipment:

	$
2001	681,445
2002	625,132
2003	605,261
2004	567,345

Notes to the Financial Statements

NOTE 17 DISCONTINUED OPERATIONS

In January 31, 1998 and May 28, 1999 management disposed of the assets of New World Housing Systems Inc., a construction company, and Allseasons Building Products Inc., a roofing distribution company, respectively. The sale of these assets resulted in the discontinuance of the related operations. The results of operations of these business segments for the period December 1, 1998 to December 31, 1999 are included in discontinued operations for that period. In the current year, amounts from discontinued operations result from payments received on items previously recorded as bad debts, and legal fees incurred in dealing with vendors.

Loss (gain) from closure of the business segments is comprised of the following:

	2000	1999
Loss from operations	$ -	$ 491,195
Loss on disposal of capital assets	-	170,655
Loss on disposal of inventory	-	8,817
Legal fees	11,099	-
Bad debts (recovery)	(26,193)	292,210
Deferred costs	-	91,791
	(15,094)	1,054,668
Reduction in amounts due to creditors of Allseasons Building Products Inc.	-	(25,963)
Reduction in amounts due to creditors of New World Housing Systems Inc.	-	(367,552)
	$(15,094)	$ 661,153

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year end, the Company established a stock purchase savings plan. The terms of the plan allow the employees to contribute up to five percent of their earnings into the plan and the Company will match these contributions.

NOTE 19 FINANCIAL INSTRUMENTS

The Company's financial instruments included in the balance sheet are comprised of cash, accounts receivable, bank demand loan, accounts payable and long-term debt.

(a) Fair values

The fair values of the Company's current financial instruments do not differ significantly from their carrying values due to their short-term maturities. The fair value of the Company's long-term debt approximates its carrying value as the majority of long-term debt bears interest at rates that vary with the prime rate.

(b) Credit risk

The Company's accounts receivable are due from primarily the resource industry and as such are subject to credit risks surrounding this industry.

(c) Interest rate risk

The Company is exposed to interest rate cash flow risk to the extent that bank loans are at floating rates of interest.

Corporate Information

Board of Directors

Carl Johnson
Calgary, Alberta
President & CEO

Roy Barr
DeWinton, Alberta
Partner, Meyers Norris Penny LLP

Larry Shelley
Cochrane, Alberta
Partner, Meyers Norris Penny LLP

Ross Weppler
Calgary, Alberta
Partner, Meyers Norris Penny LLP

Don Crisanti
Cochrane, Alberta
Director Leasing
Subway Developments 2000 Inc.

Officers

Carl Johnson
President & CEO

Warren Fast, Vice President
General Manager Kinetic Projects Ltd.

Garry Isbister, Vice President
General Manager Gemini Engineering Inc.

Marlene Bender, Vice President
Controller

Compensation Committee
Ross Weppler
Roy Barr
Larry Shelley

Audit Committee
Roy Barr
Larry Shelley
Ross Weppler

Locations

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Transfer Agent & Registrar

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Bankers

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Auditor

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Calgary, Alberta T2P 3E5

Legal Counsel

Gowling Lafleur Henderson LLP
1400, 700 - 2nd Street S.W.
Calgary, Alberta T2P 4V5

Key Personnel

Gemini Corporation

Carl Johnson
President & CEO
Marlene Bender
Controller
Stacy Smith
Manager HR/Drafting/IS

Gemini Engineering Inc.

Garry Isbister
General Manager
Doug Pickel
Manager Process/Instrumentation

Kinetic Projects

Warren Fast
General Manager
Dana Budd
Projects

GEM Production Management

Rick Buckner
Operations Manager
Adlai Majer
Project Engineer